

Attachment 18 - PP&E Reporting Clarifications

There have been some questions concerning the reporting of PP&E when it is related to Service Medical Activity (SMA) and Construction in Progress (CIP) and that purchased by the Working Capital Fund (WCF). Two frequently asked questions are answered below.

Question: How should equipment funded and used by the Service Medical Activity be reported?

Answer: Reference FMR Vol 4, Ch 6, para 060105.B.4.d. Medical Facilities and Equipment. "...all medical General PP&E equipment and facilities shall be reported on the annual general fund financial statements of the Military Department that owns the installation upon which a medical facility resides." This means that the services must get that information from the SMA. If the SMA funded these items, then the entry would be a transfer out of assets and can be found at the Treasury USSGL website, <http://www.fms.treas.gov/ussgl/current.html>, choose Section III – Accounting Transactions, and then go to Accounting Transaction D809. The Military Service who is receiving the property from SMA would also record the reciprocal transfer in of assets and can be found at the Treasury USSGL website, <http://www.fms.treas.gov/ussgl/current.html>, choose Section III – Accounting Transactions, and then go to Accounting Transaction D853.

Question: Who should be reporting CIP on their statements?

Answer: Reference FMR Vol 4, Ch 6, para 060203.B.3. under the header of B. Construction-in-Progress (Account 1720). "The DoD Component that is to receive the constructed property shall report CIP amounts on their financial statements, regardless of what type of funds were used to fund the construction. Such CIP balances shall be provided annually by the USACE and NAVFAC to the appropriate reporting DoD Component along with supporting documentation in sufficient detail to reconcile the CIP balances by project and funding source. In addition, USACE and NAVFAC shall make any additional data available to the reporting DoD Component upon request." This means you will need at least 2 things from USACE & NAVFAC; one will be a transfer (same accounts as indicated in the above #1 entry) of the current year transactions that go into CIP; and the second will be the current value in total (basically a data call item). Ideally, when you take your beginning balance amounts (same as the ending balance from the previous year) and add the current year transactions to it, you will get the total current value provided by USACE & NAVFAC. Note that when the CIP property is completed, the reporting entity should be able to move the balances from CIP to the appropriate asset account and this entry can be found at the Treasury USSGL website, <http://www.fms.treas.gov/ussgl/current.html>, choose Section III – Accounting Transactions, and then go to Accounting Transaction D307.

Question: How should the PP&E amounts be reported and depreciated when there is partial funding from a WCF activity especially if the amount is immaterial to the WCF?

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Answer: This does seem to be an area that needs further research and clarification. FMR Vol 4, Ch 6, para. 060105.B.4.c.2. states that “WCF activities funding capital improvements shall report and depreciate such improvements on their annual financial statements, whether or not the WCF activity is the preponderant user of the facility improved.” There currently seems to be an issue with this statement and the effect on the statements and on the reporting of improvements that OSD/DFAS is still researching and will provide guidance once this research is completed.

MOST IMPORTANTLY... NOTE that Volume 4, Chapter 6, para 060105.D. Recognition Uncertainty. 1. “It is important that the overall accounting records of the Department of Defense and the federal government are not duplicative and that the DoD Component responsible for an asset maintains accountability for that asset. In situations where doubt exists as to which DoD Component should recognize an asset, the DoD Components involved shall reach agreement with the other applicable DoD Components or federal agencies as to which entity will recognize the PP&E.” and in 2. “If an agreement cannot be reached, the matter shall be referred to the Office of the Deputy Chief Financial Officer, Office of the Under Secretary of Defense (Comptroller), for resolution. Requests for resolution shall be accompanied by adequate supporting documentation to assist in resolution of the matter and be submitted through the Financial Management and Comptroller of the submitting Military Department or Defense Agency.”